

DHAKA FRIDAY SEPTEMBER 25, 2009

Asian Markets

MUMBAI	▲ 0.37%
	16,781.43
TOKYO	▲ 1.67%
	10,544.22
SINGAPORE	▼ 0.69%
	2,667.43
SHANGHAI	▲ 0.38%
	2,853.55

Currencies

Buy Tk	Sell Tk
USD 68.40	69.40
EUR 98.88	104.13
GBP 109.91	115.34
JPY 0.73	0.82

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold	▼ \$1,010.30 (per ounce)
Oil	▼ \$68.26 (per barrel)

SOURCE: AFP

Corrupt business costs billions: TI

STAR BUSINESS DESK

Massive-scale global corruption resulting from bribery, price-fixing cartels and undue influence on public policy are costing billions and obstructing the path towards sustainable economic growth, according to a report by Transparency International (TI).

The Global Corruption Report 2009: Corruption and the Private Sector released on Wednesday showed how corrupt practices constitute a destructive force that undermines fair competition, stifles economic growth and ultimately undercuts a business's own existence.

In the last two years alone, companies had to pay billions in fines due to corrupt practices. The cost extends to low staff morale and a loss of trust among customers as well as prospective business partners.

"Fostering a culture of corporate integrity is essential to protect investment, increase commercial success and ensure the stability sought by poor and rich countries alike, particularly as we climb out of an historical crisis," said TI Chair Huguette Labelle.

The report documents many cases of managers, majority shareholders and other actors inside corporations who abuse their entrusted power for personal gain, to the detriment of owners, investors, employees and society at large.

In developing and transition countries alone, companies colluding with corrupt politicians and government officials have supplied bribes estimated at \$40 billion annually, according to the report.

Research in the report also shows that corruption raises project costs by at least 10 percent. Consumers around the world were overcharged approximately \$300 billion through almost 300 private international cartels discovered from 1990 to 2005.

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Mutual fund growth in turnover trebles

SARWAR A CHOWDHURY

Mutual fund growth in turnover trebled in just three months, thanks to the increasing transactions in the investment sector on a positive verdict on a pending case by the middle of next month.

Mutual funds amounted to less than 3 percent of the total turnover on the Dhaka Stock Exchange (DSE), the premier bourse, at the end of June this year, while the figure rose to more than 8 percent by the end of August.

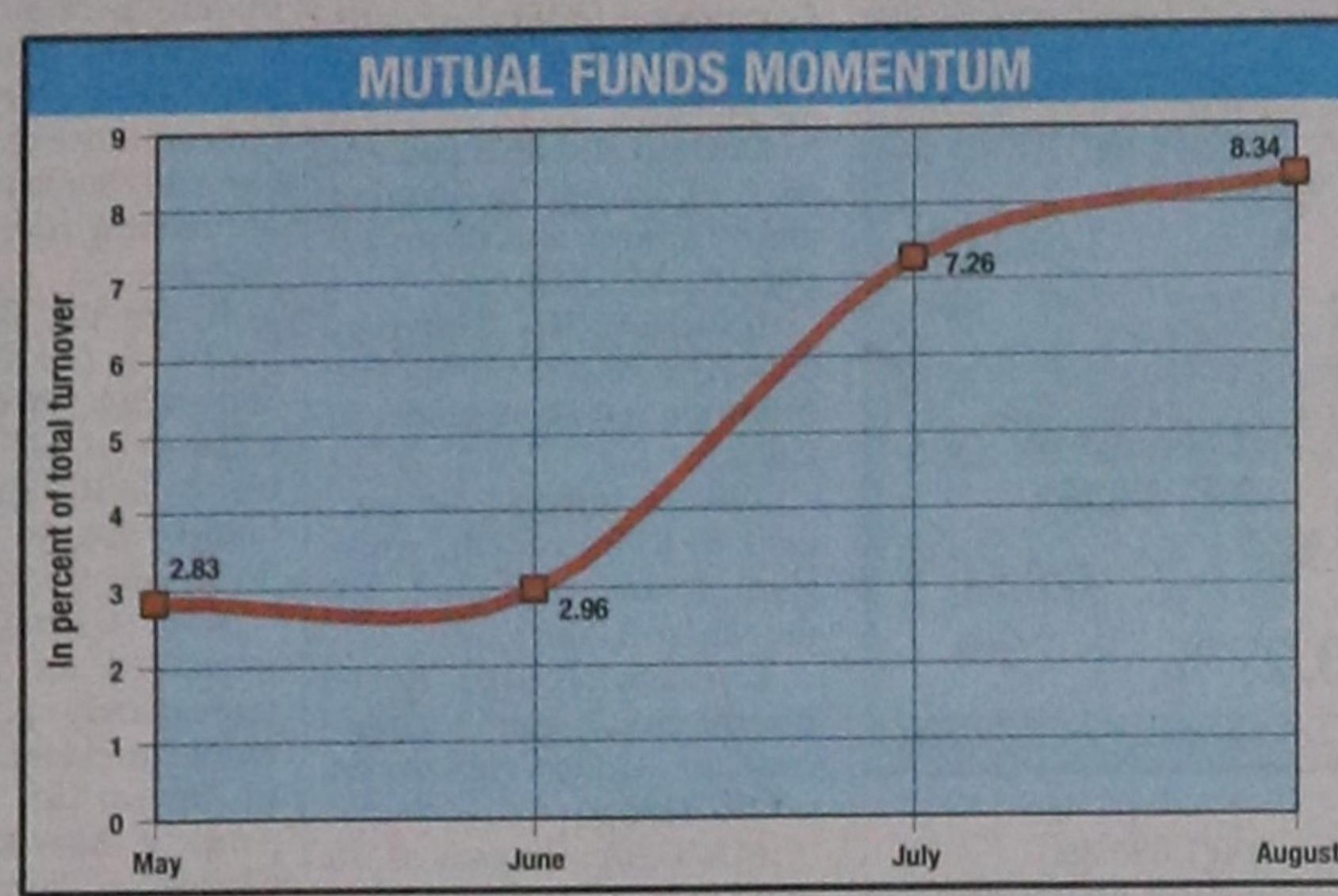
The case, filed more than a year ago, challenged the embargo on the stock dividend declarations by mutual fund operators. The case is expected to be resolved on October 15, a date fixed by the High Court for the next hearing, following two hearings in August.

Market analysts point to investors' expectation for an ending to the mutual fund distribution ban.

Mutual funds have gained momentum with ongoing and upcoming initial public offerings (IPOs), including the Grameenphone IPO, as those enjoy a 10 percent quota in every IPO, analysts added.

A mutual fund, considered a moderately risk-free investment tool, is a professionally managed collective investment scheme that pools money from many investors and invests in stocks, bonds and short-term money market instruments.

Mutual funds have witnessed growth in turnover, centring the case, said Yawer Sayeed, managing director of AIMS of Bangladesh, an asset man-



agement company.

"Until and unless the case is resolved, any price volatility will essentially be speculation-driven and therefore, risky," he said.

If the case is not resolved, mutual funds, including the ones in the pipeline, will not be able to declare dividends for an indefinite period. This will remain as a serious crisis for the sector," he added.

In August last year, the High Court Division stayed the stock market regulator's ban on the issuance of bonus shares or rights issues for closed-end mutual funds.

The HC also stayed dividend declarations by all mutual fund managers until disposal of the case.

The stay order came after three investors filed a writ petition with the HC, challenging modifications to mutual fund rules by the

Securities and Exchange Commission (SEC) in July.

In July last year, SEC approved the changes to mutual fund rules that barred the closed-end mutual funds from offering bonus shares as dividends or right issues, in a bid to increase their capital base.

Mutual funds maintained their recent positive momentum with appreciation in prices and transactions, said Equity Partners Limited (EPL), an investment firm.

"Investors are optimistic about mutual funds ahead of the upcoming large IPOs, including Grameenphone," the EPL analysis added.

As of August this year, 18 mutual funds were listed on the DSE that accounts for 5.8 percent of the total market capitalisation.

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New export policy hits snag

KAWSAR KHAN

The government is yet to formulate a new export policy for 2009-12 due mainly to lengthy bureaucratic procedures.

The effectiveness of previous export policy for 2006-09 expired in June and the government was scheduled to declare the new policy in July.

However the country's present export activities are running under the previous policy.

"Formulating the export policy is a long and complex procedure that Export Promotion Bureau (EPB) works out at first in consultation with private and export sectors. Then a draft proposal goes to the commerce ministry where different committees and sub-committees review it prior to placing it before the cabinet," said an EPB official.

The new export policy is at the final stage and will soon be placed before the cabinet meeting, said the official seeking anonymity.

About the importance of export policy, another EPB official said: "Export policy is the government's vision and a commitment to the export sector."

The government provides policy supports, cash incentive and other facilities to exporters in line with the export policy.

As the export sector of the country is now guided by the previous export policy, new requirements and necessities to boost exports are not coming to the fore, EPB officials said.

Earlier, the EPB had forwarded a draft proposal of the new export policy to the commerce ministry, encompassing 156 recommendations from business houses, chambers, trade bodies and different government offices.

The EPB proposed that the government offer cash incentive to some items, including plastic products, decorative items, environment-friendly herbal products, buttons made from coconut crust, coir products, toys and products made from

bamboo and cane.

The recommendations also included formation of a number of industrial parks across the country, shifting outdated industrial units outside the metropolitan cities, developing a six-lane Dhaka-Chittagong express highway and delivering cash incentives within 30 days of export.

The EPB official said although the government has been preparing export policies for a long time, absence of proper monitoring is leaving the policy recommendations largely unimplemented.

"Presently there are no less than three committees including one headed by the prime minister to look after the export sector apart from different sector-wise taskforces. Nonetheless, the sector lacks proper monitoring," said the EPB official, stressing proper implementation of export policy.

Although the new export policy is yet to be formulated, the government has recently announced a list of 15 exportable items to give cash incentives for fiscal 2009-10.

Vegetables and fruits, leather goods, home-textile, frozen foods, bone dust, jute goods, bicycle, light-engineering products, day-old chicks, potato, Halal meat, liquid glucose, products made of hogla (a kind of flora), straw, and sugarcane bark will be entitled to the cash incentive.

This year PET (polyethylene terephthalate) bottle flakes and finished leather were newly introduced to get such cash incentive.

"Proper planning and setting a target are very crucial for any sector as these help find out the obstacles to export," said Kazi Belayet Hossain, former president of Bangladesh Frozen Foods Exporters' Association.

Despite a global financial crisis, the government has set a \$17.59 billion export target this fiscal year, with a 13 percent growth rate compared to the previous year. kawsar@thendaystar.net

SME Foundation mulls setting up industrial park

Raising competitiveness is the goal

SAYEDA AKTER

The Small and Medium Enterprise (SME) Foundation is set to conduct a feasibility study from October on establishing a 'co-located cluster industrial park' for light engineering, plastic and electronic factories.

The SMEF signed a cooperation agreement with International Finance Corporation (IFC), World Bank's lending arm, on September 6 to jointly run the feasibility test. They also signed a memorandum of understanding (MoU) last month.

"The objective of this project is to help establish an SME Industrial Park for light engineering, plastic and electrical engineering sub-sector," said Ahmed Ali Shah, deputy general manager of the SME Foundation.

The study includes market assessment, demand forecast, planning and financial and economic viability modeling.

"A cluster industrial park will accommodate the three homogenous industries at the same location, which will help tap potentials of these sectors," he said.

SMEF initially selected Keraniganj to set up the industrial park, but the location will be finalised after site assessment is completed by May 2010.

"IFC will conduct studies on a few

other sites and the best location will be chosen for the co-located cluster industrial park," said Shah.

IFC will provide \$5,00,000 to conduct the study, while SMEF would contribute \$50,000, he said.

IFC will also fund workshops and roundtables to build capacity of the stakeholders.

Shah also said IFC is keen to assist SMEF in completing the project.

Earlier, the country's light engineering sub-sector planned to set up an exclusive private industrial zone in Dhaka to tap the potential of the emerging business.

Presently, there are around 50,000 light engineering and 5,000 plastic and electronic factories across the country.

Abdur Razzaque, president of Bangladesh Engineering Industry Owners Association (BEIOA) said the industrial park will help increase the sectors' production capacity and competitiveness.

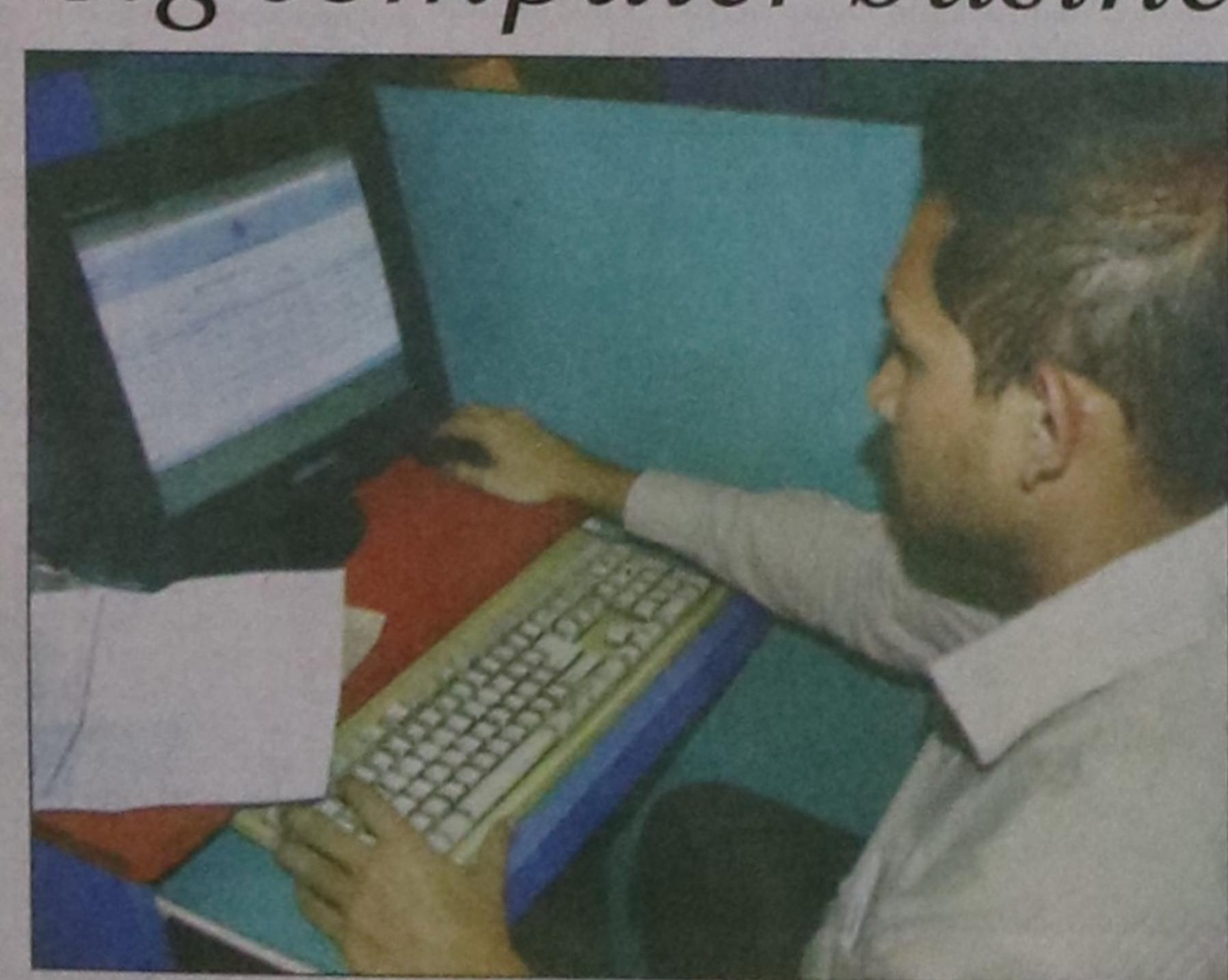
"We have long demanded setting up of an exclusive private industrial zone for the light engineering and other locally developed product sectors, which will help meet local demand and export," he said. Countries like Japan and India have developed their SMEs through such projects.

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An activist shouts anti-G20 slogans during a protest in front of the building housing the office of International Monetary Fund (IMF) in Manila yesterday to coincide with the Group of 20 developed and developing countries summit in the US city of Pittsburgh. The Pittsburgh summit, the third in 10 months, convenes as the IMF and other authorities see a fragile recovery in the global economy and G20 members are contemplating exit strategies from unprecedented public economic support.

Ctg computer business shines on customs automation



An operator fills in a bill of entry on his computer at a shop at Agrabad in Chittagong. IT services gained a new momentum in the port city soon after the Chittagong Customs House introduced the automation system.

Md HASAN AND DWAIKYAN BARUA

Internet-based computer services business has gained popularity in Chittagong with an introduction of automated systems at the Chittagong Customs House.

Businessmen said daily sales shot up by around 20 percent with an increased demand for submitting bill of entries and e-mails regarding invoice packing lists or locating vessels through internet.

As many as 20 small-scale computer centres and several cyber cafes have been providing such services to meet the requirements of around 300 clearing and forwarding (C&F) agents. However, several C&F agents are now gradually being equipped with the internet.

In July 2008, the Chittagong Customs House was automated to increase revenues and check irregularities by enhancing efficiency.

With automation by DataSoft, a local software maker, manual processes at the port ceased.

The Import General Manifest (IGM) and Export General Manifest (EGM) modules were launched under the first phase of

automation at the customhouse.

Shipping agents, freight forwarders and stakeholders then began submitting IGM and EGM online from their offices or any other location.

Following automation, computer based businesses in Chittagong witnessed major changes. Computer centres in various parts of the port city are taking internet connections to help businessmen, especially C&F agents, to do customs-related work.

Mohammad Sohel and Mofassal Hossain turned their phone-fax shop, Madina Communication at the BSCIC Market at Badamtal Intersection, into such a centre eight months back.

"I had some computer and internet knowledge and immediately after the Customs House was automated, I got an opportunity to participate in a brief workshop regarding the automation system that was organised by the Chittagong Chamber of Commerce and Industries (CCCI)," said Sohel.

"Initially, we used dial up internet but as our business grew, we took a broadband connection," added Sohel.

"We get at least 30 to 40 customers

everyday for internet based work and we can earn an additional Tk 3,000 a day, above the income from phone/fax services," he added.

These shops have also installed photocopies and printers, as C&F agents take printouts of documents and make xeroxes copies.

C&F agents everyday throng shops like SD Enterprise, Business Centre, Azmir Enterprise, Pragati Computer Network, National Type Writer Service, Zohra Enterprise, Tariqa Computer, Iqbal Store and Barlaw Cyber Doom located at Agrabad area for internet services.

Rajib, owner of Barlaw Cyber Doom, located on the ground floor of Hotel Saint Martin, said his daily income increased by 20 percent after the automation system was introduced in the Customs House.